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# Nano Cap

By [LUCAS DOWNEY](#) Updated May 09, 2022

Reviewed by [THOMAS J. CATALANO](#)

## What Is Nano Cap?

Nano cap refers to small, publicly traded companies with a [market capitalization](#) below \$50 million and is as small as you can get in terms of market capitalization.

### KEY TAKEAWAYS

- Nano caps are publicly traded companies with small market capitalizations of \$50 million or less.
- Nano cap companies are considered the smallest stocks by market cap.
- Also referred to as "penny stocks," nano caps are highly risky investments due to their size, stability, and potential for manipulation.

## Understanding Nano Cap

The next step up from nano caps is micro cap stocks. Nano caps are very risky because they are such small companies and are particularly prone to [manipulation](#). These stocks are often referred to as [penny stocks](#) and are quite popular with those who have a large appetite for risk. Many people new to trading may look for higher-risk investments like nano caps.

Keep in mind that classifications such as [large cap](#) or [small cap](#) are only approximations that change over time. Also, the exact definition of the various sizes of market cap can vary between brokerage houses. Technically, a stock can be a nano cap without being a penny stock. If the [float](#) of available shares is

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Of course, penny stocks aren't even necessarily stocks that trade around a penny. The definition of a penny stock was formerly a stock trading for under one dollar per share, but the Securities and Exchange Commission (SEC) has moved that up to count all shares trading below five dollars per share. In short, these definitions are fluid at the best of times.

For example, if there is enough global growth and increased investment across the world, the nano cap of the future may be redefined as \$100 million or more.

## Risks and Rewards of Nano Cap

Investors looking to invest in nano cap companies should be aware that these small firms are often associated with a very high risk of failure. Small cap stocks, which start at \$300 million in market capitalization and go up to \$2 billion, are considered a risky place for investors to dabble in order to capture aggressive growth.

Nano caps ratchet up that risk versus reward even more. Short-term returns in the double and triple digits do happen in nano cap stocks, but so do a lot of outright failures. On top of the legitimate failures, there is no shortage of pump and dump schemes. Nano cap stocks are prone to these problems because they are not as rigidly regulated as larger cap stocks that trade on reputable exchanges like the NYSE or Nasdaq. Some nano cap stocks will have reporting

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